

Activity C: The Usual Rules of the Global Economy (Reading Selection)

One way to understand the global economy is to think about players, the goal, and the rules (the same elements of a game). As you experienced in the simulation, the **players** are shareholders, businesses (often called ‘firms’ or ‘producers’ in economics language), managers, workers, and consumers. The **goal** is to increase profits. The **rules** allow decreasing expenses or increasing revenues.

The goal (increasing profits) pressures businesses to compete against each other to make the most money. This means managers of Company A try to make their costs lower or revenue higher than Company B. Strategies include lowering labor and production costs, raising prices, or gaining more customers with better products. Companies that don’t increase profits may go out of business.

To stay competitive, some businesses cut costs in ways that have negative impacts on workers or the environment – even if individual managers within the company would prefer not to. But because they must follow the rules and reach their goal, managers must make difficult decisions to simply stay in business. And, their own jobs may depend on it.

In recent decades global economic competition has increased, and businesses have moved jobs to countries where wages are low, and the workforce is dispensable and undervalued. For example, 70 percent of the world's hand-stitched sports balls are produced in the Sialkot district in Pakistan, a densely populated area where 40,000 people work in the sports ball industry and child labor is common. ([Fairtrade International](#))

Some people believe that low-wage jobs provide opportunities to people who would otherwise not have jobs. They also believe that laws requiring higher wages or environmental protection will make businesses move jobs to other places or make products too expensive for consumers. In this way of thinking, businesses are more likely to ‘win’ the game if other players lose. Consumers may not even realize they are part of the game or understand the rules. Consumers who do understand the rules may consider them unfair.

Discussion questions and writing prompts:

- Where does money come into a business and what does it go towards?
- Whose role do you think is most important for the success or failure of a business?
- What makes a business thrive?
- What makes a product profitable?
- Why should there be a profit?
- What factors can be added into this business model?
- What did you already know?
- If a business wants to cut expenses, what strategies can it use?
- How would you change the rules if you could?

Activity C: Fair Trade: A Different Set of Rules (Reading Selection)

Fair Trade is a global business model that offers different goals, rules, and players. The players in this model include not only producers, workers, and consumers, but also the communities where products are made, and the surrounding environment that supports everything. (In the Fair Trade model, the word ‘producers’ means the people who produce the product, not the firm or business.)

The goal of Fair Trade is to provide benefits to all players at the same time. Fair Trade supports the idea that better income, workers’ rights, and environmental protection means quality products that have a positive impact on all the players. Instead of businesses just competing for the highest profits, they ‘compete’ to increase quality and value to all.

Key principles include:

- **Shared benefits:** Fair Trade creates opportunities and ensures the economy benefits all the players, from workers to businesses to consumers to the environment.
- **Democratic control:** Fair Trade workers are in the driver’s seat. They have more power to make decisions about their wages and working conditions. In some cases, workers own the businesses and are their own managers. Such groups of farmers or artisans who together own and run a business are called **cooperatives**. In others, there are farm or factory workers operating as an organized worker body who control the usage of the community development premium monies and have input into working conditions and other factors.
- **Environmental sustainability:** Fair Trade products are grown or made using environmentally sustainable methods that protect farmers' and workers' health, and preserve valuable ecosystems for future generations. Many Fair Trade products are organic.
- **Consumer awareness:** Fair Trade educates consumers about how their products are made so that people can shop based on their values.
- **Fair prices for workers:** Fair Trade ensures that farmers and workers receive stable, reliable income.
- **Additional income:** With every Fair Trade sale, farmers and workers directly earn an additional amount of money called the Fair Trade premium. This payment, along with attention to quality and sustainable practices, can add expenses that non-Fair Trade businesses do not pay. This means that Fair Trade products can sometimes cost a bit more than ‘regular’ items. In return, consumers get a product made in ways that help people, communities, and the environment. You can use this information to choose how to spend your money. For example, if you had \$3 to spend on chocolate, you could buy a smaller bar of Fair Trade chocolate that helped keep kids in school, or a larger bar of non-Fair Trade chocolate. And, as Fair Trade businesses grow, the supply of the products increases, which can result in prices coming down.

You can learn more about Fair Trade by viewing these [short informational videos](#).